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February 16, 2010

Gloria Moran, Esq.
Assistant Regional Counsel
Superfund Branch (6RC-S)
U.S. Environmental Protection Agency
Region 6
1445 Ross Avenue, Suite 1200
Dallas, Texas 75202-2733

*Via Certified Mail/Return Receipt Requested
& E-mail to Moran.Gloria-Small@epamail.epa.gov*

In Re: National Oil Recovery Corporation ("Norco")

Dear Ms. Moran:

As Texas legal counsel for Norco, I am responding to your e-mail dated February 10, 2010.

As I previously advised you, Norco is not financially able to respond to the EPA's sixth SCORPIOS replenishment request as well as to continue on with the remaining phases of the work to be done under the two Administrative Orders On Consent signed between Norco and the EPA.

Mr. Stephen Halasz of Kleinfelder has been advised of Norco's inability to proceed financially with the work under the two AOC's, and he has curtailed Kleinfelder's clean-up activities at the refinery.

By way of background, Norco was in negotiations to sell the refinery and had anticipated arranging from the sale proceeds for its remaining financial obligations under the AOC's. It was anticipated that these negotiations would reach fruition and the refinery sold prior to the end of calendar year 2009. Unfortunately, the closing of this transaction did not take place at that time, although negotiations to that end continue.

In view of the complications occasioned by the Superior Crude Gathering, Inc. oil spill at the refinery, it is impossible for Norco to state definitively if a sale of the refinery can be accomplished on or before the end of February, 2010.

Assuming a worse case scenario (no sale), Norco has requested and received from Kleinfelder a closure cost estimate for the tasks remaining to be done under the AOC's. Enclosed is a copy of that estimate, dated February 12, 2010. The total closure cost estimated by Kleinfelder is \$846,773.00.

In view of Norco's financial inability to continue on with the work under the two AOC's, Norco respectfully requests that the EPA access the \$1,000,000.00 under the two letters of credit securing the AOC's, as well as funds remaining in the Falcon Refinery Site Special Accounts #s 1 and 2, and use those funds as budgeted by Kleinfelder to finish the work required under the AOC's.

Gloria Moran, Esq.
February 16, 2010
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If the refinery is sold in the meantime, I would expect the AOC's to be amended to accommodate the changed circumstances.

Norco recognizes that the EPA has a right to impose penalties and proceed to list the Falcon Refinery Site on the NPL, but it is Norco's view that the accessing of the letters of credit and Special Account funds and utilizing these funds for completing the work as estimated by Kleinfelder is the route that makes the most economic sense and should be taken.

I am available to meet with you and other members of the EPA in Dallas to discuss this further if you deem it advisable.

Very truly yours,



Richard F. Bergner

RFB:sjh
Enclosure

cc: Kleinfelder
w/o Enclosure

Richard Bergner

From: Stephen Halasz [SHalasz@kleinfelder.com]
Sent: Friday, February 12, 2010 10:15 AM
To: Richard Bergner
Subject: cost estimate
Attachments: Falcon Cost to closure.doc; Tank cleanout.xls; Proposal for Tank 7 cleaning.xls

Richard,

Here's the cost estimate and the tank clean out estimates we received earlier.

Stephen Halasz, P.G.
Environmental Group Manager
1826 Kramer Lane, Suite M
Austin, TX 78758
(o) 512.926.6650
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February 12, 2010

Mr. Richard Bergner
Bergner and Associates
5151 San Felipe
Houston, TX 77056

Dear Mr. Bergner:

This letter serves as a cost estimate for several tasks associated with the Falcon Refinery in Ingleside, Texas, including Phase 2 of the RI/FS, Preliminary Site Characterization Summary Report, Draft Baseline Human Health Risk Assessment, Draft Screening Level Ecological Risk Assessment, Draft RI/FS Report, Tank Cleanout, Gross Soil Removal and Contingencies. Each of the described activities are budgeted below:

Phase II Sampling and Data Management

Item	Description	Cost
Drilling Subcontractor (ESN)*	Installing 7 monitor wells and 32 borings	\$16,626
Accutest Analytical*	Laboratory analysis	\$63,830
Staff Professional II	140 hours @ \$126/hour	\$17,640
Professional	80 hours @ \$94/hour	\$7,520
Principal Professional	80 hours @ \$166	\$13,280
Staff Professional I	40 hours @ 110/hour	\$4,400
Technician	80 hours @ \$56/hour	\$4,480
GIS Staff	40 hours @ \$75/hour	\$3,000
Administrative Staff	40 hours @ \$56	\$2,240
Equipment	Rental charge	\$1,000
Per Diem	Travel expenses	\$2,000
Task Total		\$136,016

* direct bill to NORCO

Preliminary Site Characterization Summary Report

Item	Description	Cost
Staff Professional II	80 hours @ \$126/hour	\$10,080
Professional	40 hours @ \$94/hour	\$3,760
Principal Professional	60 hours @ \$166	\$9,960
Staff Professional I	20 hours @ \$110/hour	\$2,200
QA/QC Analyst	40 hours @ \$148	\$5,920
GIS Staff	60 hours @ \$75/hour	\$4,500
Administrative Staff	60 hours @ \$56	\$3,360
Per Diem	Travel expenses	\$3,500
Task Total		\$43,280

Draft Baseline Human Health Risk Assessment



Item	Description	Cost
Staff Professional II	40 hours @ \$126/hour	\$5,040
Senior Project Manager	160 hours @ \$166/hour	\$26,560
Principal Professional (Risk Specialist)	32 hours @ \$183	\$5,856
Principal Professional	100 hours @ \$154	\$15,400
Staff Professional I	20 hours @ \$110/hour	\$2,200
QA/QC Analyst	20 hours @ \$148	\$2,960
GIS Staff	60 hours @ \$75/hour	\$4,500
Administrative Staff	60 hours @ \$56	\$3,360
Per Diem	Travel expenses	\$3,500
Task Total		\$69,367

Draft Screening Level Ecological Risk Assessment

Item	Description	Cost
Staff Professional II	40 hours @ \$126/hour	\$5,040
Senior Project Manager	120 hours @ \$166/hour	\$19,920
Principal Professional (Risk Specialist)	120 hours @ \$183	\$21,960
Principal Professional	100 hours @ \$154	\$15,400
Staff Professional I	40 hours @ \$110/hour	\$4,400
QA/QC Analyst	20 hours @ \$148	\$2,960
GIS Staff	60 hours @ \$75/hour	\$4,500
Administrative Staff	60 hours @ \$56	\$3,360
Per Diem	Travel expenses	\$3,500
Task Total		\$81,040

Draft Remedial investigation Report and Feasibility Study

Item	Description	Cost
Staff Professional II	40 hours @ \$126/hour	\$5,040
Principal Professional	100 hours @ \$154/hour	\$15,400
Senior Remediation Engineer	120 hours @ \$148/hour	\$17,760
Staff Engineer	100 hours @ \$110	\$11,000
QA/QC Analyst	20 hours @ \$148	\$2,960
GIS Staff	60 hours @ \$75/hour	\$4,500
Administrative Staff	60 hours @ \$56	\$3,360
Per Diem	Travel expenses	\$3,500
Task Total		\$63,520

Attached are the proposed cost to remove the remaining sludge in the above ground tanks 7, 10, 26 and 27. The total for the removal is \$135,275. This cost was based on the amount in the tanks during the last inspection which was approximately six months ago. Any rainfall since that time may increase the amount.



Removal of "grossly" contaminated soil is estimated to cost \$190,000 for disposal or the soil could be bio-remediated on-site for approximately \$75,000.

Utility and trailer costs are approximately \$8,000/year.

Completion of the RI/FS process including final risk assessments and the feasibility study can be completed for approximately \$90,000.

Total Estimated Cost

Action	Cost
Phase II Sampling and Data Management	\$136,016
Preliminary Site Characterization Summary Report	\$43,280
Draft Baseline Human Health Risk Assessment	\$69,367
Draft Screening Level Ecological Risk Assessment	\$81,040
Draft Remedial investigation Report and Feasibility Study	\$63,520
Sludge Removal and Disposal	\$135,275
Grossly Contaminated Soil On-Site Treatment	\$75,000
Utilities	\$18,000
RI/FS Documentation and Project Management	\$90,000
Total	\$711,498

These costs represent the approximate costs to closure based on available information, assumes the onsite treatment of the "grossly" contaminated soil, includes the attached tank cleanout costs and assumes that no significant impacts are detected during the Phase II Sampling Plan. Please call if you have any questions.

Sincerely,
KLEINFELDER CENTRAL, INC.

Environmental Group Manager

USA Environment, LP

6410 IH 35 South

New Braunfels, Texas 78132

Phone 830-624-8723 Fax 830-625-8723

**COST
PROPOSAL****Tank Cleaning and Demolition at Falcon Refinery****CUSTOMER INFORMATION****Name:** Kleinfelder**Address:** 1826 Kramer Lane, Suite M**City:** Austin, Texas 78758**Contact:** Stephen Halasz 512-796-9449**SITE LOCATION****Name:** Falcon Refinery**Address:** Hwy 2725**City:** Ingleside, Texas**Contact:** Stephen Halasz

REMOVING LIQUIDS / SLUDGE AND CLEANING TANK #'s--26, 27, and 10	UNIT	QTY	RATE	TOTAL
Mob / demob crew and equipment for water removal	LS	1	\$1,500.00	\$1,500.00
Mob / demob crew and equipment for sludge removal	LS	1	\$2,500.00	\$2,500.00
Daily rate for crew and equipment to remove, filter, and load water, (for 3 tanks w/approximately 1-ft of water each).	DY	6	\$1,600.00	\$9,600.00
Daily rate for crew and equipment to remove / containerize sludge, and wash tanks (tank #'s 26, 27, and 30)	DY	12	\$3,900.00	\$46,800.00
Transport water to Texas Molecular (approx 3 to 3.5 hrs/turn)	HR	0	\$75.00	\$0.00
Transport sludge to US Ecology (approximately 3 to 3.5 hrs/turn)	HR	54	\$75.00	\$4,050.00
Deliver rolloff boxes	EA	3	\$230.00	\$690.00
25 cubic yard vacuum box	DY		\$37.00	\$0.00
25 cubic yard vacuum filter box, \$60.00/ea/day-- (3 boxes / day)	DY	12	\$240.00	\$2,880.00
Vacuum filter box liners	EA	15	\$140.00	\$2,100.00
Thermal desorption treatment of D018 sludge disposal	TN	0	\$485.00	\$0.00
Solidification and disposal of non haz sludge at US Ecology (for approximately 3-inches of sludge)	GLN	15,000	\$1.85	\$27,750.00
Disposal of solids as a non haz waste at US Ecology	TN	180	\$105.00	\$18,900.00
70-barrel vac truck (deliver water to storage tank, or other serv.	HR	4	\$70.00	\$280.00
Vacuum truck washout	EA	3	\$180.00	\$540.00
Vacuum box washout	EA	3	\$350.00	\$1,050.00
TOTAL				\$118,640.00

ASSUMPTIONS/CLARIFICATIONS

- USA's cost proposal assumes that the roofs of the tanks will be safe for personnel to enter the tanks without any danger of falling metal.
- Cost proposal is based on tank # 26, 27, and 10 only. Unit rates will apply to all of the tanks that require

- USA has provided estimated quantities for the project based on the size of the tanks. Actual quantities will be billed based on the unit rates listed above.
- Scope of Work is attached for description of task to be performed.

USA Environment, LP

6410 IH 35 South

New Braunfels, Texas 78132

Phone 830-624-8723 Fax 830-625-8723

**COST
PROPOSAL****Remove liquids / Clean Tank 7****CUSTOMER INFORMATION****Name:** Kleinfelder**Address:** 1826 Kramer Lane, Suite M**City:** Austin, Texas 78758**Contact:** Stephen Halasz 512-796-9449**SITE LOCATION****Name:** Falcon Refinery**Address:** Hwy 2725**City:** Ingleside, Texas**Contact:** Stephen Halasz

DESCRIPTION OF SERVICES	UNIT	QTY	RATE	TOTAL
Mob / demob crew and equipment for water removal	LS	0	\$1,500.00	\$0.00
Mob / demob crew and equipment for sludge removal	LS	0	\$2,500.00	\$0.00
Daily rate to relocate equipment over to tank 7 and remove water (1 to 2 days).	DY	2	\$1,600.00	\$3,200.00
Daily rate for crew and equipment to remove / containerize sludge, and wash tank	DY	1	\$3,850.00	\$3,850.00
Transport water to Texas Molecular (approx 3 to 3.5 hrs/turn)	HR	0	\$75.00	\$0.00
Transport sludge to US Ecology (approximately 3 to 3.5 hrs/turn)	HR	7	\$75.00	\$525.00
Deliver rolloff boxes	EA	0	\$230.00	\$0.00
25 cubic yard vacuum box	DY		\$37.00	\$0.00
25 cubic yard vacuum filter box, \$60.00/ea/day-- (3 boxes / day)	DY	5	\$120.00	\$600.00
Vacuum filter box liners	EA	2	\$140.00	\$280.00
Thermal desorption treatment of D018 sludge disposal	TN	0	\$485.00	\$0.00
Solidification and disposal of non haz sludge at US Ecology (for approximately 3-inches of sludge)	GLN	2,000	\$1.85	\$3,700.00
Disposal of solids as a non haz waste at US Ecology	TN	36	\$105.00	\$3,780.00
70-barrel vac truck (deliver water to storage tank, or other serv.	HR	0	\$70.00	\$0.00
Vacuum truck washout	EA	0	\$180.00	\$0.00
Vacuum box washout	EA	2	\$350.00	\$700.00
TOTAL				\$16,635.00

ASSUMPTIONS/CLARIFICATIONS

- USA's cost proposal assumes that the roofs of the tanks will be safe for personnel to enter the tanks without any danger of falling metal.

- Tank 7 currently has approximately 3-feet of product and the floating inner roof is at approximately 3-feet. USA, at this time does not know if the floating inner roof will leave enough space to effectively remove sludge and residual fluids when the tank is emptied. In the event the inner roof interferes with product removal, the residual fluids / sludge will be removed during the demolition phase of the tank.
- USA has provided estimated quantities for the project based on the size of the tanks. Actual quantities will be billed based on the unit rates listed above.
- Scope of Work is attached for description of task to be performed.